Foreign Agriculture

July 24, 1978

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

2 New Standards Bring Quality Improvement in U.S. Grain Trade

6 Hungary's MFN Status May Aid U.S. Exports

7 U.S. Meat Sales To Venezuela: Can 1977 Boom Continue?

8 Canada Again No. 1 Market for U.S. Potatoes

10 Dutch Imports Of U.S. Oilseeds, Animal Fats Rise

Discharging grain at the port of Rotterdam, the Netherlands.

New Standards Bring Quality Improvement In U.S. Grain Trade

Quality of U.S. grain exports—always a concern both to U.S. farmers and foreign buyers—has gotten increased emphasis as a result of the sweeping revisions since 1976 in the U.S. Grain Standards Act. Following is a report on how these changes have affected handling of U.S. grain destined for export.

United States grain inspection procedures recently have undergone an exhaustive overhaul in an effort to improve the monitoring of standards of U.S. grain destined for foreign markets.

Weaknesses in the U.S. Grain Standards Act have been corrected. A new U.S. Department of Agriculture agency, the Federal Grain Inspection Service (FGIS), has been formed to enforce the stiffened Act and improve grain handling generally. And innovations that may benefit both U.S. exporter and foreign buyer are being made as a result of new applied research and overseas monitoring programs.

Grain (including soybeans), of course, ranks as far and away the most important component of U.S. farm trade, last year accounting for nearly two-thirds of the $24 billion worth of all U.S. agricultural exports.

The U.S. Grain Standards Act, passed in 1916 and revised for the first time in 1968, originally provided for official inspection agencies —including private groups, boards of trade, grain exchanges, or State Governments. These were designated by the U.S. Government to perform the original inspection responsibilities under Federal supervision.

Promulgated to overcome chaos in the grain trade at the turn of the century, the Act did bring uniformity to grain inspection. According to the 1977 FGIS annual report to Congress, prior to 1916 there had been "30 States and trade organizations inspecting grain for quality at 64 inspection points in the United States, often with widely different standards, terminology, and regulations."

On the other hand, the Grain Standards Act contained sufficient ambiguity and diversity of responsibility to allow fraudulent practices to develop. And even the extensive revamping of the Act in 1968—with its stiffened licensing requirements and additional testing services—failed to eliminate the potential for abuse.

Before 1976, for instance, there was no standardized federally supervised weighing of grain. Partly because of this lack of supervision, problems developed regarding grain quality, weighing of grain, certification of ships as being clean to receive grain, and insect infestation. In addition, verification of foreign complaints—although not impossible — was sometimes difficult.

As a result of these and other shortcomings, Congress pushed through major amendments to the Grain Inspection Act, effective November 20, 1976, and in 1977 made further amendments — mainly as followup to the 1976 provision.

Congress also mandated formation of FGIS in November 1976 to oversee implementation of the Act and initiate studies and procedures aimed at improving grain handling.

The amended Act basically provides for direct Federal inspection and weighing of export grain and tougher penalties for abuses.

The Act further requires additional rules for compliance. Grain exporters must register with FGIS each year and receive a certificate of registration.

In addition, FGIS has a program of recordkeeping at the terminal elevators. This shows what happens to the grain, what kind of grain—and how much—comes into an elevator, what happens in the handling, and what goes out. Such inventory control will aid in assuring that all parties in the trade receive full credit for grain they ship or handle.

A key element of this recordkeeping is a new national program of weighing. All grain that moves into an export elevator must be officially weighed by FGIS, or State officials who have been delegated by FGIS to perform this function, or elevator employees under supervision of these authorized personnel.

Similarly, grain moving out of an export elevator must be examined by licensed inspectors. Samples taken during such inspections are held on file for 30 days on sublots as documentation of inspectors' results.

Spot checks are used to see that these procedures are enforced.

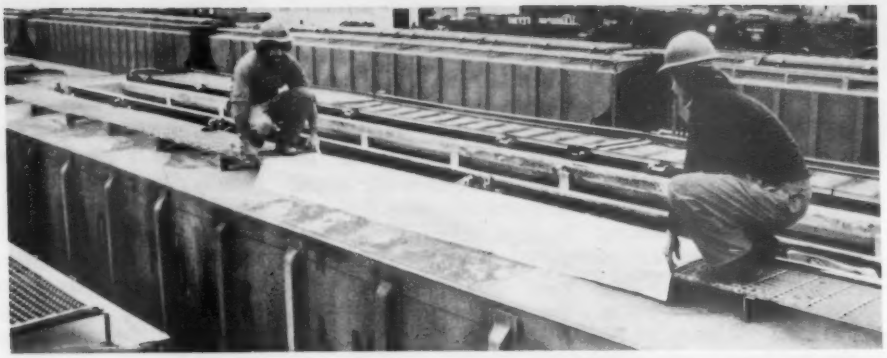
Immediately prior to the 1976 amendments, 15 private agencies were doing export inspections, in addition to 10 State groups. The last of these private inspectors was phased out as of February 27, 1978, and now inspection is done exclusively by FGIS and nine States. Those States include California, Washington, Minnesota, Wisconsin, Alabama, Mississippi, Virginia, Florida, and South Carolina.

In most cases, inspection of grain destined for export is mandatory for the 10 products listed under the Grain Standards Act—soybeans, wheat, corn, barley, oats, rye, grain sorghum, flaxseed, and triticale (a cross between wheat and rye).

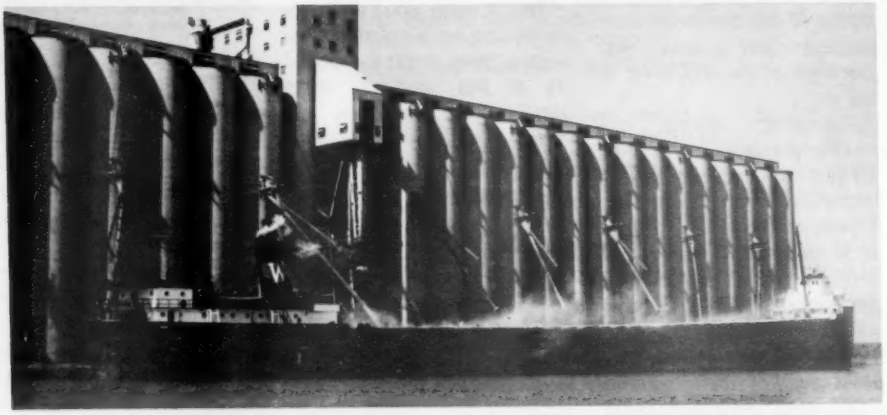
The only exceptions to this inspection requirement are grain shipments not sold by grade and accompanied by copies of the related sales contract.

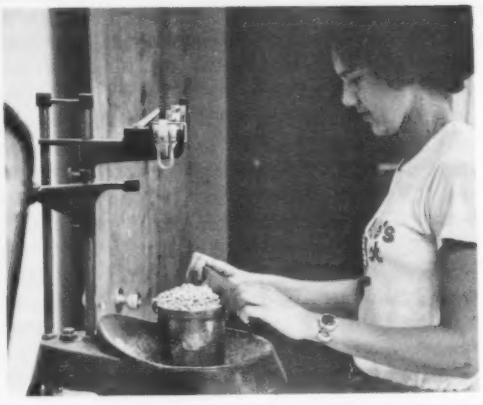
Inspection of grain moving in intrastate trade, on the other hand, remains optional, and licensed nongovernmental agencies still can perform these inspections.

Optional inspection also is performed for a host of related products under authority of the Agricultural Marketing Act of 1946.



Top to bottom (left to right): Preparing to take a sample from a grain hopper car; inspecting the grain delivery system; check weighing U.S. rice; loading U.S. corn into a ship at a Chicago elevator; examining grain samples for quality and condition; and test weighing U.S. corn. Stiffened requirements for inspection and weighing of U.S. grain destined for export are being implemented as a result of revisions in the U.S. Grain Standards Act.





These products include dried beans, peas, and lentils; hay; straw; and processed grain products—cornmeal, flour, grits, bulgur, and others.

Adding muscle to the amended U.S. Grain Standards Act are the increased penalties for violations. These fall into three areas—administrative, civil, and criminal.

Penalties Set

On the administrative side, every licensed inspector originally had a right to a long, involved formal hearing, even if he had been convicted of violating the Act. Now, persons found in violation of the Act can be suspended immediately with a right to a hearing within 7 days.

On the civil side, there was no penalty before. Now, persons found in violation of the criminal part of the Act can be fined up to $75,000.

On the criminal side, the penalty has been changed from a misdemeanor to a felony, and the fines and prison possibilities are much greater than before.

Probably the most severe penalty, however—it is difficult to sell and export grain without official grades—is FGIS's option of refusing inspection of grain for persons found in violation of the Act.

In addition to its inspection services, FGIS is conducting two studies required under the 1976 Grain Standards Act.

One involves examining the present standards and their effectiveness.

The other study—being conducted by FGIS together with the General Accounting Office and the USDA Office of Investigation—is focusing on inspection and weighing activities in the U.S. interior, where procedures so far have not changed materially.

FGIS also is carrying out several action programs to improve the handling of U.S. grain generally. These include monitoring of overseas complaints and shipments, an applied research program, protein testing and other special export services, and a safety program aimed at overcoming hazards of the grain trade.

So that buyer and seller problems could be more readily investigated, a Foreign Complaints Monitoring Unit was established in September 1977. One of the unit's first assignments was to review the 20 foreign complaints about grain quality—including insect infestation, odor, foreign material, and protein content—received between November 20, 1976, and September 30, 1977.

Those complaints were handled on a case-by-case basis, with teams sent to some of the countries concerned. Only a small percentage of them proved to be valid.

Currently, about six teams go out each year, largely to markets where complaints have been filed. However, the ultimate goal is to send more teams and include some routine inspections in markets where complaints have not been registered.

As part of the program, FGIS staff members meet with foreign teams when they come to the United States to inspect U.S. facilities.

In some instances, FGIS officials spend a number of days with them explaining the U.S. marketing system, how it functions, and how grain inspection and weighing procedures work. The teams leave with a greater knowledge of the U.S. system and better appreciation of what is being done to ensure accurate inspection of grain.

One problem that arises in the export of U.S. grain is deterioration during shipment. A study by the University of Illinois, for instance, found a significant increase in broken corn and foreign materials (BCFM) during a test shipment of corn and soybean from Toledo, Ohio, to Rotterdam. From an average of 3.7 percent BCFM at the Toledo elevator, the percentage rose to 7.6 percent by the time the corn had been transferred to barges in Rotterdam, and BCFM in the top-off of that shipment rose 3.6 percent to 15.2 percent.

Such changes are not the responsibility of U.S. shippers under the standard "certificate final" arrangement, which states that the basis for a grain sale is the quality or quantity of grain at the time of loading.

But it does contribute to confusion on the part of foreign buyers about the quality of the products they receive.

According to FGIS officials, other problems arise due to differences between grain standards and inspection systems of the United States and foreign markets.

Tolerances Vary

"Some countries have tougher tolerances for moisture and insect infestation than we do," according to one source. "Tied into that is the matter of insect kill. One program now underway with the Soviets is looking into means of effectively killing infestation without resorting to dangerous and time-consuming procedures used in the past."

In this experiment with grain shipments to the Soviet Union, a new procedure was applied to tankers for the first time. The team involved in the test recently returned to the United States, and its final report will be evaluated soon.

Prompt action on foreign complaints is a key requirement. "If we receive a valid foreign complaint, we must act on it and report to the Congress within 30 days from the time we have completed action," said David H. Galliart, Deputy Administrator for Program Operations, FGIS. "In addition, we must submit to Congress quarterly and yearly summaries of these complaints and the FGIS followup."

He explained that a foreign buyer with a legitimate complaint can contact the U.S. agricultural attaché to his country. The attaché then will send a detailed description of the problem to personnel in Washington. If it involves inspection of grain, the complaint goes to FGIS, which will:

- Check records of the shipment to see how it was graded;
- Check the samples taken during inspection to see if a mistake was made;
- Meet with field office supervisors and the personnel who actually performed the inspection; and
- Test the accuracy of equipment used.

If no problem is found, the complaint is considered invalid; if the complaint is legitimate, the buyer and seller are contacted and given all the facts that have been developed.

To facilitate these efforts to improve grain handling FGIS has instituted an applied research program that now has about six projects underway. These include improved tests to:

- Detect any signs of sprout damage in white wheat.
- Check insect infesta-

tion before it even has emerged from the corn kernel; it is hoped that a promising new machine will detect carbon dioxide levels generated by even one insect.

• Use infrared radiation to kill insects.

In addition, a new protein test that can be done in a matter of minutes—compared with several hours previously—has allowed inclusion of protein testing under the U.S. Grain Standards Act. This means that protein results may be indicated on the same certificate showing grade for U.S. Hard Red Winter and Hard Red Spring wheats.

Test Time Cut

Instituted May 1, 1978, the program utilizes near-infrared equipment that can perform a single test in about 5 minutes, compared with 2 hours required for the traditional Kjeldahl method. It thus makes possible the testing of each sublot (40,000-bushel portion of the typical 1-million-bushel shipload), whereas previously only a single test per lot was done, resulting in complaints of nonuniformity of protein content.

The new process eventually will be used for other types of wheat and to measure the oil content of soybeans. It also may be used to determine protein content of barley and oats.

Since February 1, 1978, another voluntary test has been offered for aflatoxin—one of the mycotoxins that inhibit growth in certain animals and act as a carcinogen in humans. Tests showing more than 20 parts per billion of aflatoxin are considered positive; those with less, negative.

Either buyer or exporter can request the test. So far, however, only one country is requiring it. □

Comparison of the New Provisions of the United States Grain Standards Act as Amended in 1976, to Provisions in the Act as Amended in 1968

Provisions of Act as amended in 1976	Provisions of Act as amended in 1968
1. Both grain inspection and weighing are included under the Act.	1. Only grain inspection was included.
2. The Act requires State agency or Federal official inspections at export locations.	2. The Act required either State or private agency official inspections at export locations. Federal inspections were not authorized.
3. The Act requires official weighing at export port locations.	3. No comparable provision.
4. The Act permits State or other official agencies to perform official inspection and weighing on a continuing basis at interior locations.	4. The Act permitted State or private agencies to perform official inspections at interior locations. There were no weighing provisions. Federal inspections were not authorized.
5. On an interim basis only, Federal official inspection is permitted at interior locations. Only State or other official agencies are authorized to perform official inspections on a continuing basis at interior locations.	5. No comparable provision.
6. Official weighing or supervision of weighing is to be performed on request at interior locations.	6. No comparable provision.
7. The cost of Federal supervision of official inspection and weighing performed by State and other official agencies is to be a direct charge to the agencies.	7. The cost of Federal supervision of inspection was paid from appropriated funds. Weighing was not a provision of the Act.
8. At export port locations, State agencies may be delegated authority to perform official inspection and weighing. At interior locations, qualified State and other official agencies shall be designated to perform official inspection and weighing.	8. State and private agencies were designated to perform inspection only—and at both export and interior locations.
9. Federal appeal inspections are authorized.	9. Federal appeal inspections were authorized.
10. Authority is granted to perform needed research to develop and change the official U.S. Grain Standards. An accelerated grain standards program is mandated.	10. The AMS Grain Division was not authorized to perform research except to adopt research results conducted by others to inspection procedures.
11. A study is mandated to ascertain the performance of the grain inspection and weighing agencies and to ascertain the demand for inspection and weighing services at interior markets.	11. No comparable provision.
12. The legislative intent of the Act implies that the level of Federal supervision of inspection and weighing must be sufficient to promptly correct malfeasance and to correct unintentional biased inspection and weighing errors.	12. No comparable provision.
13. Rotation of Federal personnel is mandated.	13. No comparable provision.
14. Annual registration of certain persons and firms is mandated.	14. No comparable provision.
15. Conflict of interest provisions of the Act are materially stronger.	15. Conflict of interest provisions were weak.
16. Licenses of personnel hired by State or other official agencies to perform official inspection and weighing services terminate every 3 years.	16. 3-year termination provision.
17. Testing of official inspection and weighing equipment is mandated.	17. Testing of official inspection equipment performed as a supervision function.
18. Certain records must be kept and maintained by agencies, grain merchandisers, elevator owners and operators, and specified other persons.	18. No comparable requirement.
19. Designation of authority must be renewed every 3 years.	19. No termination date.

New U.S.-Hungarian Pact May Aid U.S. Exports

With implementation on July 7 of the U.S.-Hungarian Trade Agreement, Hungary became the fourth East European nation to receive most-favored-nation (MFN) treatment from the United States—a move long sought by Hungary.

The other three East European nations enjoying MFN status are Romania, Poland, and Yugoslavia.

As a result of the mutual granting of MFN treatment, Hungary will enjoy improved competitiveness in the U.S. market. The United States will gain, in principle, better access to the Hungarian market and can offer Hungary Government-sponsored credits to finance imports of U.S. farm products.

Among the U.S. exports that may gain as a result of the agreement are soybeans and soybean products, hides and skins, breeding cattle, swine, animal fats, and protein meals.

The availability of credit through the U.S. Commodity Credit Corporation (CCC) also could result in Hungarian imports of U.S. cotton for the first time since World War II.

Overall, however, prospects for greatly expanding U.S. farm exports to Hungary—totaling some $44 million, including transshipments, last year—are not bright, given Hungary's near self-sufficiency in agricultural production. The greater impact is likely to be on industrial exports to Hungary—including agricultural machinery, chemicals, and food-processing equipment—since the reduction from the old tariffs to the new ones is larger on industrial products than on agricultural products.

The 3-year Agreement was signed in Budapest on March 17, 1978, by Hungarian Minister of Foreign Trade Joszef Biro and U.S. Ambassador to Hungary Philip M. Kaiser. It was then approved by the U.S. House of Representatives on May 22 and by the Senate on June 27.

Following these actions, Hungarian Foreign Minister Frigyes Puja and Ambassador Kaiser exchanged notes on July 7 as the final step in the process to put the Agreement into force.

The Agreement provides for the MFN treatment that is extended to most members of the General Agreement on Tariffs and Trade (GATT), of which Hungary has been a member since 1973.

The United States was the last developed country to maintain discriminatory tariff rates for certain Hungarian export products. In retaliation, Hungary established a tariff category pertaining exclusively to the United States. With Hungarian foreign trade being a State monopoly, however, the tariff has had only symbolic significance and is not reflected either in domestic wholesale or retail prices.

The Agreement also paves the way for joint U.S.-Hungarian cooperation on the development of trade and agriculture. This could lead to expanded economic, scientific, and technological cooperation, while facilitating U.S. market development efforts in Hungary.

Currently, five U.S. industry groups cooperating with the Foreign Agricultural Service—have market development projects underway in Hungary:

- The U.S. Feed Grains Council is conducting swine production and management seminars and sponsoring a dairy conference during fiscal 1978.
- The American Soybean Association is conducting seminars on soy oil use and production, poultry and ruminant nutrition, swine nutrition, and soy protein use. It also is carrying out livestock feeding trials and sponsoring visits by Hungarian officials and scientists to the United States to examine industry operations here.
- The Holstein-Friesian and the American Hereford Associations have technical services contracts with Hungary and plan team visits, both to and from Hungary.
- The American Seed Trade Association is sponsoring team visits to the United States.
- The National Renderers Association is conducting market surveys and studies to determine market possibilities for animal fats and protein meals in animal feeds and in other uses.

Expanded market development efforts could lead to increased U.S. exports of commodities that Hungary already imports from the United States, plus U.S. sales of some products normally supplied by other sources.

Currently, oilseed products are the most important U.S. farm exports to Hungary. Last year, they earned $22.5 million (including transshipments) and accounted for about half of U.S. agricultural exports to Hungary. With livestock production on the rise—and chances limited for expanding oilseed production without cutting into competitive crops such as corn—further gains are seen for U.S. oilseed and product exports.

Feedgrains were in the No. 2 U.S. export slot last year, bringing over $9 mil-

Hungarian Minister of Agriculture Pal Romany greets U.S. Secretary of Agriculture Bob Bergland as he arrives in Hungary during his May visit to the USSR and three East European nations.

lion compared with nothing the year before. These were followed by cattle hides, at $4.5 million, and live cattle, at $2.9 million.

Hungary, in fact, has been one of the leading markets for U.S. cattle—largely Holstein-Friesians—since its move in 1972 to develop a specialized dairy herd. (This contrasts with traditional reliance on dual-purpose breeds, which predominate in the East European nations.) To facilitate this shift, Hungary imported over 20,000 head of U.S. cattle (mostly dairy heifers) during 1973-77.

Another important plus is Hungary's eligibility for CCC credit—available at commercial interest rates for certain U.S. agricultural exports.

CCC credit would enhance the competitive position of U.S. soybean meal vis-a-vis that from Brazil—a rapidly growing supplier in the recent past. And it could result in U.S. cotton exporters gaining a foothold in the market.

How much of a trade stimulus the new Agreement will provide is difficult to say. Some sources predict that total two-way trade between the countries could triple the 1977 level of $136.7 million within the next 5 years, but with most of these gains in industrial products. (Hungarian statistics show $146 million for imports and $53 million for exports when using the Hungarian commercial exchange rate of $1=41.35 forints. According to Hungarian statistics, both total exports and imports in the two-way trade increased 16 percent in 1977.)

As far as Hungary's agricultural imports are concerned, historical data alone point toward further growth.

Despite its large agricultural production, Hungary has been an expanding U.S. farm market during most of this decade. U.S. farm sales there soared sixfold to $20.2 million between 1969 and 1970 and then moved erratically higher. In 1975, they hit a record of $40.5 million, only to drop to $22.4 million in 1976. Then in 1977, they rebounded sharply to their new high of $44 million (including transshipments).

Variations in domestic crop production have accounted in part for this uneven progression. For instance, the short 1976 corn crop sent Hungary into the market the following calendar year for some 65,000 tons of U.S. corn. Normally, however, Hungary is a net exporter of about 1.5 million tons of grain yearly, largely to East European countries and the USSR.

Conversely, hard currency shortages, heavy debt, and successive trade deficits have prompted periodic austerity moves. Tight import controls in 1976, for instance, probably contributed to a falloff in total U.S. exports to Hungary that year to $63 million from $76.1 million in 1975 (not including transshipments). Such controls were relaxed in 1977 but then applied again this year after Hungary ran up a large 1977 trade deficit of an estimated $695 million.

The cut in U.S. tariffs under the MFN provision of the agreement obviously will assist Hungarian exports to the United States. But these gains are expected to be largely confined to industrial products, since most of the agricultural products Hungary exports to other Western countries would not be competitive in the United States.

Last year, the United States imported $23.5 mil-

Continued on page 11

U.S. Meat Sales To Venezuela: Can 1977 Boom Continue?

The United States gained ground last year in the lucrative Venezuelan market for red meat and poultry as unprecedented consumer demand—and a temporary suspension of import duties—led to a more than quadrupling of sales.

Chances of bettering those shipments are not particularly good for the short term in view of import restraints being reimposed by the Venezuelan Government to correct balance-of-payments problems. Still, rising consumer demand—coupled with slow growth in domestic output of beef and pork—could be a persuasive force in favor of continued large imports.

All told, the United States shipped some $24 million worth of red meat and poultry to Venezuela last year, for a nearly fivefold gain from the $4.9 million worth shipped in 1976. This amounted to 8 percent of the $304 million worth of U.S. agricultural exports to the country during 1977 and was encouraged by the 10-month suspension of import duties that began last April.

Duties were reimposed January 23, 1978. Since that time, private importers have had to seek import authorization from the Government's Agricultural Marketing Corporation. However, the Government has indicated that it would consider freeing imports once again in the event of scarcities—such as the extreme shortages experienced last year.

Red meat. During calendar 1977, the United States shipped 6,205 tons of pork to Venezuela—a more than sixfold increase over exports in 1976 and virtually all of the country's total pork imports of 6,493 tons.

U.S. beef and veal shipments also rose spectacularly—to 2,412 tons in 1977 from only 13 the year before. But here the United States was only one of many suppliers in an import market that reached a record 46,700 tons last year—double the 1976 level of 23,298 tons. The 1976 figure, in turn, was 238 percent above 1975's, reflecting the sharp income gains—deriving from the country's petroleum export income of nearly $9 billion a year—and the rapid population growth rate of about 3 percent a year.

Colombia dominated the beef market, selling 32,119 tons (carcass weight) last year. Costa Rica, Australia, Nicaragua, Chile, and Italy were among the other suppliers.

In addition to beef and veal, Venezuela imported 106,291 head of slaughter cattle from Colombia, or slightly less than the 138,752 head imported in 1976.

An agreement renewing Colombian beef exports to Venezuela was signed February 1, 1978, by the Ministers of Agriculture of the

Based on dispatches from Office of U.S. Agricultural Attaché, Caracas.

respective countries. Under this agreement, Colombia will export 60,000 head of cattle on the hoof and 60,000 beef carcasses to Venezuela during 1978. However, if market conditions so require, more meat can be imported from Colombia.

Venezuelan red meat production, in the meantime, has lagged far behind growth in demand.

Last year, beef production actually declined to 272,718 tons from 277,179 in 1976. A gain of 3 percent is forecast for 1978.

Pork production rose 8 percent last year to 90,074 tons, but growth in 1978 is seen dipping 1 percent as a result of production problems resulting from Government relocation regulations. These regulations require that producers move installations out of the Caracas metropolitan area to other parts of the country to lessen pollution problems in the sprawling urban areas.

Currently, 386 swine producing units still are located in the Federal District and the State of Miranda, with a total monthly production estimated at some 60,000 animals, averaging 90 kilograms each, liveweight. Various pork producers have organized a protection front to defend their interests in light of what they term a lack of Government policy to help producers.

Two complaints are that animal feed is poor in quality and expensive. Another is that prices for marketed products are unsatisfactory owing to the poor quality feed. Pork producers claim that more feed is required to produce 1 kilogram of meat now than 2 years ago. Then, they say, an animal required 2.3 kilograms of feed per kilogram of meat; now, it is 2.7 kilograms.

All the while, per capita domestic consumption of red meat continues to grow, reaching about 31.4 kilograms in 1977, compared with 23.7 kilograms 5 years ago and 87.9 in the United States in 1972. And stocks have remained nil.

Poultry. Value of U.S. exports of poultry and poultry products to Venezuela rose 2½-fold between 1976 and 1977 to $14.8 million. This was 85 percent greater than the value of all poultry and poultry product exports there during the previous 10 years and accounted for about 80 percent of Venezuela's total poultry imports. On a volume basis, the U.S. exports included 5,244 tons of poultry meat and 124 million eggs.

Despite the fact that importers must now seek Government authorization before making purchases, imports of poultry meat and eggs are seen remaining high in 1978.

Unlike the beef and pork industries, Venezuela's poultry production has been expanding rapidly. Last year, poultry meat output rose 16 percent above the 1976 level to 194,000 tons, and a 12 percent gain is forecast for 1978. Egg production rose about 10 percent last year to 1.35 million, and a similar gain is forecast for 1978.

Even here, however, production has not risen apace with demand, as producers claim that incentives currently are not sufficient to spark more rapid growth.

Among their complaints are static prices. Retail prices for broilers, for instance, have remained at $1.33 per kilogram during the past 4 years, compared with an average $5.14 for red meat.

Additionally, producer prices for chicken meat last year were $1.22 per kilogram, compared with $1.10 for imported product de-

Continued on page 11

Canada Again No. 1 Market for U.S. Potatoes

By L. P. Bill Emerson, Jr.

The European drought of 1975 and 1976 opened Europe to record U.S. exports of fresh potatoes, but abundant rainfall and larger crops in Western Europe in 1977 and 1978 have practically closed it again. As a result, Canada, which took nearly all U.S. fresh potato exports prior to the drought — has recovered its predominant position.

In addition, expanding exports of U.S. fresh potatoes will continue to go to markets in the Caribbean and Latin America, despite large potato output in the regions. Japan still will be the major market for U.S. processed potatoes, although sizable amounts also will go to Western Europe.

Planting intentions for the 1978 West European crop pointed to a moderately lower production level after a year when bumper crops depressed prices. But it is unlikely that substantially larger U.S. fresh exports to Europe will result, although processed exports may enlarge.

Western Europe planted an area estimated to be 7 percent smaller and the European Community's area may be down by 8 percent, with the largest area cuts taking place in Ireland, France, and West Germany. Based on average yields, Western Europe's output in 1978 should be 6 percent smaller than in the previous year.

Canada intended to plant an area 5 percent smaller than last year's, which may result in larger U.S. fresh potato exports to the Canadian market in the upcoming marketing year.

However, U.S. exports to Canada are down dramatically in 1977/78 as a result of the winter and spring rains in California, which sharply reduced the spring crop from which most of Canada's imports come.

The European drought of 1975 and 1976 temporarily changed normal U.S. potato-trade patterns, but trends have been firming up for some time that appear to affect the outlook for the future. It is likely that:

- Canada will not only continue in its traditional position as the major export customer for U.S. fresh potatoes, but its purchases will again approach or exceed the 90 percent market share of the past.
- Europe will still take significant amounts of U.S. processed potatoes, but its takings of U.S. fresh potatoes will vary in the future according to the size of the European crop and plant quarantine restrictions.
- Japan, Hong Kong, and some other Asian countries will take larger

Mr. Emerson is an agricultural economist, Fruit and Vegetable Division, Foreign Commodity Analysis, FAS.

U.S. potato trade has come full circle and Canada, replaced by the EC as No. 1 market for U.S. spuds in 1975 and 1976, has regained its predominance. Other markets in Latin America and the Far East have retained their previous relative positions.

amounts of U.S. potato chips, frozen french fries, and dehydrated mashed potatoes. Growth of these exports is largely tied to the continuing development in these countries of U.S.-style fast food shops.

But, given the competitive nature of the U.S. fast food industry, it is likely that new shops will be established in Japan and Hong Kong, as well as in other Asian countries.

• Latin American and Caribbean countries will continue to import increasing amounts of fresh (table and seed) and processed potatoes, but the size of future exports to these countries principally depends on the growth of urban populations.

During 1976/77 (October-September), U.S. fresh and dehydrated potato exports reached a record 1.2 million metric tons, valued at $131 million. Of the total volume, fresh potato exports were 468,000 tons, valued at some $68 million, and dehydrated potatoes, 789,000 tons, fwe, worth about $62 million. (Exports of dehydrated potatoes are calculated as fresh weight equivalent — fwe.)

During the drought years, European markets took about half of total U.S. fresh potato exports, but Canada remained an important customer, taking 193,000 tons worth $26 million in 1976-77. Another important U.S. market was Mexico which during the period 1972-77 took about 10,000 tons of fresh potatoes a year.

U.S. dehydrated potato shipments to Japan in 1976/77 consisted of 66,492 tons, fwe, of potato flakes and granules, valued at $5.7 million, and 40,342 tons, fwe, of other dehydrated potato products, worth $4 million. Most of Japan's imports of frozen french fries also came from the United States — 5,617 tons in calendar 1976 and 8,275 tons in 1977.

During the first 6 months of the 1977/78 marketing year, total U.S. potato exports (fresh and dehydrated) were 146,000 tons, fwe, worth $15 million, with Canada and Japan the major markets. U.S. fresh potato exports in that period totaled only 43,000 tons, a drop of 85 percent from the level of the same period a year earlier, a loss resulting from closure of the European market.

Dehydrated potato export totals were 100,000 tons, fwe, and $8 million in the first half of 1977/78, sharply below those in the 1976/77 period. Most of these processed potato exports are going to Japan, where needs of the fast food industry are expected to push purchases of U.S. potato products a third higher than calendar 1977's 242,000 tons, fwe, worth $8 million.

West European consumers have developed a taste for U.S. processed potato products and this could help expand sales to that region. In any event, U.S. potato-product sales to Europe are expected to rise sharply above the 46,000 tons, fwe, of 1974/75, the last season prior to the drought.

Canada not only buys U.S. potatoes but exports its own. Most Canadian exports originate from the Maritime Provinces of Prince Edward Island and New Brunswick, while most imports (nearly all from the United States) go to the central and western Provinces.

Over the past 5 years, U.S. fresh potato exports to Canada have averaged 195,000 tons a year. In 1977/78 exports will probably be down to only 150,000 tons as a result of Canada's larger production and the sharply smaller U.S. spring crop. These U.S. exports reach a May-July peak because Canada's stocks are depleted during this time.

In the years between 1975 and 1977, when its potato output dropped off, **Mexico** turned to the United States to fill a large part of its needs, thereby becoming the second leading market for U.S. fresh potato exports. In 1976/77, the United States sold to Mexico 11,018 tons of table and seed potatoes and 447 tons, fwe, of dehydrated potatoes.

Although Mexico has a sizable total potato consumption, per capita intake is much lower than in most Andean countries of South America, where the "Irish" potato was first grown, and where low-income consumers eat potatoes as a staple.

In 1977/78, large exports of processed potatoes are continuing to go to **Europe** — principally to the EC countries of United Kingdom, France, and West Germany — and to Sweden and Spain. However, these products are faced with growing competition from similar products from the Netherlands and France, largest European exporters.

In 1977/78, some fresh Florida potatoes were shipped to Sweden, and this is the most important individual European market for fresh U.S. spuds. During the drought years, large shipments of U.S. fresh and processed potatoes went to France, the United Kingdom, West Germany, the Netherlands, and Sweden.

U.S. exports to **Latin America** have been only slightly diminished by rising domestic production, although some of these increases have been sizable.

Canada's potato output increased moderately from the level a year earlier to 2.49 million tons in 1977, mainly because a larger area was planted. Based on a 5-percent smaller area and average yields, 1978 output is estimated at 2.3 million tons.

In the **European Community,** the United Kingdom's 1977/78 potato crop rebounded to 6,100 tons—however, consumption did not recover to the pre-drought levels, so prices plummeted. Consequently, the U.K. Potato Marketing Board had bought large quantities to boost farmer income to about $85 per ton above the country's guaranteed price equivalent. The U.K. Ministry of Agriculture, Fisheries and Food announced that the ban on main crop potato imports, put into effect in the fall of 1977, would remain operative to support grower prices, which were only averaging roughly $60 per ton in the fall.

Potatoes are processed in the European Community — both for food and non-food purposes — by a well-developed industry. The Netherlands is the EC's most intensive producer of starch potatoes and its 1977 production was well above that of 1976. The EC Common Agricultural Policy (CAP) on starch potatoes has cut particularly hard into European demand for U.S. potato starch.

No EC CAP has been adopted for table potatoes. The starch potato CAP assists producers with price guarantees and marketing arrangements and is designed to balance production of potato starch with production of corn starch. Disagreement among the members of the EC in the fall of 1977 stopped the implementation of a fresh potato CAP, although potatoes fall under minimum price systems of some countries, particularly in the United Kingdom and France.

However, there is contention within the EC over the implementation of national potato controls. In the past, France prohibited summer imports of potatoes after domestic prices fell through the minimum price floor. The Netherlands protested France's action to the Community's European Court, which found the French in violation of the Treaty of Rome's free-trade provisions. So France opened its markets to Netherlands potatoes. Now, the Netherlands is contesting the United Kingdom's import restrictions in the same court.

To solve such problems, the EC has agreed to try to formulate a fresh potato CAP this year. Negotiations are continuing despite protests by some British, Irish, and Danish growers who fear that alignment of domestic marketing schemes with those of the original six EC members would adversely affect the trade of the three newer members.

There also is concern among Italian growers that accession to full EC membership by Greece, Spain, and Portugal could result in a drop in income from the Italian winter potato crop, since the potato crops of all four countries come on the market at about the same time.

Venezuelan potato production is rising, but lower than average yields have been a problem. Most potatoes are grown in remote areas and producers often are unwilling to risk planting alternative crops so that yields are reduced where no crop rotation is practiced.

Japan's potato production was just 3.2 million tons, enough to provide minimal supplies to Japanese manufacturers of potato products. But Japan's output is not expected to grow substantially since most of the country's farmland is used for food crops deemed to be more important than potatoes. □

Dutch Imports of U.S. Oilseeds, Animal Fats Continue To Increase

Dutch imports of oilseed meals and other feed ingredients rose in 1977 and continued growth is anticipated for 1978 with the United States — the main supplier — again benefiting from the increased demand in the Netherlands.

Other major developments in the Dutch fats and oils sector last year were a decline in re-exports to other European markets, accompanied by an increase in domestic consumption, and a shrinking grain share in total feed ingredients — in favor of oilseeds and animal fats.

Several factors played key roles in the overall import upswing. Expansion in the livestock sector enabled the Dutch to enter the current calendar year with an all-time high in livestock population.

As a result, compound-feed production and consumption also rose, but with notable shifts in composition. With grains relatively expensive in relation to other feed ingredients because of the price system of the European Community (EC), the Dutch compound-feed industry is steadily reducing the grain share in its formulas and replacing grains with manioc, oilseed meals, corn gluten feed meal, and animal fats and/or citrus pulp.

The grain share in total feed production dropped from 23.8 percent in 1975-76 (August-July) to 18.2 percent in 1976/77. A further decline to 15-16 percent is forecast for 1977-78.

For 1977/78, the economizing trends in feed practices and possible slowing in livestock numbers point to a 4-5 percent jump in compound feed output to more than 13 million tons. Continued replacement of grains may push use of nongrain feed ingredients up 500,000-to-1 million tons, compared with a 25 percent increase last year to 4 million tons.

Also this year, both the soya-complex and animal fat sectors will retain their importance to the Dutch feed industry, resulting in an expected strong expansion of U.S. exports—particularly of soybeans and tallow and grease—to the Netherlands.

Dutch imports of U.S. soybeans last year fell off about 4 percent to 1.48 million tons, while imports of U.S. soybean meal fell nearly 18 percent to 230,000

Based on a report from Office U.S. Agricultural Attaché, The Hague.

tons, according to Dutch data.

However, Dutch imports of U.S. lard (8,800 tons) and tallow and grease (92,600 tons) jumped 126 percent and 100 percent, respectively, above the levels of a year earlier.

Overall, the United States was by far the largest supplier of oilseeds and products and animal fats to the Netherlands last year. In fact, the United States supplied nearly 31 percent of all Dutch imports of oilseeds converted to fats and oils, compared with 28 percent in 1976.

Last year's U.S. market shares, with 1976's in parentheses, for several commodities were: Soybeans, 88 percent (91); peanuts, 47 (9); sunflowerseed, 64 (73); safflowerseed oil, 90 (81); corn oil, 56 (63); lard, 23 (11); tallow and grease, 44 (31); and soybean oil, 9 (0).

The increase of more than one-third in imports of U.S. animal fats and oils —led by lard and tallow and grease—stemmed mainly from the 5.6 percent hike in Dutch consumption, which was triggered by the higher use of these commodities in compound feeds. Besides the large gains posted for lard and tallow and grease, there was a significant rise in Dutch imports of U.S. peanuts from 5,900 tons in 1976 to 28,500 tons in 1977. This resulted largely from the lack of competition on the Dutch market from India.

Since about half of Dutch imports of oilseeds and animal fats are exported after processing, the export pattern roughly follows trends in imports. Major exceptions last year occurred in soybean oil and in tallow and grease, owing to higher domestic demand that kept exports of these items to only slightly above the 1976 levels.

Overall, Dutch exports of fats and oils dropped about 5 percent last year — the first decline in many years. Reductions came mostly in exports of coconut oil and palmkernel oil as both of these became relatively expensive.

As a result of the lower export demand, Dutch crushings of copra and palmkernels last year plunged 55 and 38 percent, respectively, and were accompanied by similar reductions in imports of these oilbearing materials.

Regarding domestic consumption, a notable change was the 16 percent increase in the usage of fats and oils in animal feeds, which occurred mainly in the use of animal fat. A major reason for this shift was the combination of attractively priced U.S. tallow and the move by Dutch compounders to replace higher priced grains with cheaper feed ingredients. □

Continued from page 7

Hungarian Pact

lion worth of Hungarian farm products; 85 percent of this was from canned hams and bacon, on which MFN and non-MFN rates are identical.

Hungarian exports to the United States that could gain somewhat from the MFN clause of the Trade Agreement include wine and canned corn and other vegetables.

Under Title IV of the U.S. Trade Act of 1974, nonmarket countries that do not permit free emigration are not eligible for MFN treatment or Government credits. Thus, Congressional approval of the U.S.-Hungarian Trade Agreement hinged on examination of the country's emigration policies.

Waiver of the Freedom of Emigration clause of the Trade Act of 1974 is necessary for MFN and must be renewed every year by Congress.

A similar procedure was used for Romania in 1976-77. Poland qualified for MFN before passage of the Trade Act, and Yugoslavia —considered to be a market economy—has long had MFN. □

Continued from page 8

Venezuela Meat Imports

livered at the port. This difference gave distributors a larger profit for imported poultry meat than for that produced domestically.

Credit has been insufficient to finance expansion. And producers feel that the decree on "free importation" in 1977 did not help the industry, since it resorted to a stop-gap measure rather than stress on domestic production.

These producers claim they have been struggling 17 years to obtain fair prices, adequate financing, and the establishment of a Poultry Division within the Ministry of Agriculture.

Similar problems are cited by egg producers, who claim that the cost of production inputs has been rising by more than 15 percent a year in contrast to static prices for eggs.

Moreover, salmonella outbreaks have caused several integrated poultry organizations to kill over 90,000 laying hens, with an obvious negative effect on egg production. The problem derives in part from the import of fertile eggs from Peru, where salmonella is known to exist, as a result —according to the industry —of a scarcity of hatching eggs on the world market.

These problems notwithstanding, Venezuela already ranks as Latin America's biggest consumer of eggs per capita—138. □

Foreign Agriculture

Vol. XVI No. 30
July 24, 1978

Bob Bergland, Secretary of Agriculture.
Dale E. Hathaway, Assistant Secretary for International Affairs and Commodity Programs.
Thomas R. Hughes, Administrator, Foreign Agricultural Service.

Editorial Staff:
Kay Owsley Patterson, Editor; Beverly J. Horsley, Assoc. Editor; G. H. Baker; Marcellus P. Murphy; Aubrey C. Robinson; Lynn A. Krawczyk; Isabel A. Smith.

Advisory Board:
Richard A. Smith, Chairman; Richard M. Kennedy; J. Don Looper; Larry N. Marton; Jimmy D. Minyard; Turner L. Oyloe; Steve Washenko.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1979. Yearly subscription rate: $38.00 domestic, $48.00 foreign; single copies 80 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL

First Class

FA SERIA300SBISSDUE017R 1
SERIALS PROCESSING
XEROX UNIV MICROFILMS
300 N ZEEB RD
ANN ARBOR MI 48106

Portugal's Oilseed Imports Up

Although Portugal's demand for edible vegetable oils and oilseed meals is continuing to expand, imports of oilseeds and oilseed meal this year may increase at a slower pace than in 1977 because of a tighter import policy to alleviate the country's balance-of-payments problem.

However, Portugal's imports of soybeans and soybean meal in 1978 are still expected to rise to 175,000 tons and 200,000 tons, or 10-20 and 15 percent, respectively, above the previous year's level, according to Robert J. Wicks, U.S. Agricultural Attaché at Lisbon.

The United States has been the leading source of oilseeds for crushing and meal, and the likelihood that it will maintain this position during calendar 1978 is promising. The United States is expected to replace Brazil this year as Portugal's leading supplier of soybean meal.

Portugal's producer prices for sunflowerseed and safflowerseed—the country's two major oilseeds—are higher in 1978 than in 1977, a factor that has resulted in larger planted area this year even though production is likely to remain relatively small at only 62,000 tons. Last year, unfavorable weather reduced Portuguese plantings and production of these oilseeds to less than 40,000 tons.

Imports of oilseeds crushed for oil rose to new highs in 1977, but the edible vegetable oil outturn fell far short of the country's expanding needs. As a result stocks were drawn down substantially.

Imported oilseeds in 1977 approached 350,000 tons, accounting for 88 percent of Portugal's total crushings, compared with 70 percent in 1976. The principal seeds imported in calendar 1977 were soybeans, sunflower, and peanuts.

In 1977, soybean imports of 146,000 tons headed the list of oilseed imports for the third consecutive year, but sunflower and safflower imports of 95,200 tons and 5,400 tons made the largest gains from year-earlier totals. The United States was the leading supplier of these three oilseeds.

Portugal's combined volume of oilseed meal imports in 1977 was almost triple that of 1976. Because of expanding demand for edible vegetable oils and meal, combined imports of oilseeds for crushing as well as of oilseed meal are indicated at higher levels in calendar 1978 than in 1977.

Production of olive oil in Portugal declined slightly during 1977, necessitating a small volume of imported oil. Estimates indicate another dip in olive oil outturn this year, which would result on the country's becoming a net importer of olive oil for 1978. □

New FAS Publications

- World Soybean Situation (FOP 4-78)
- Deciduous Fruit: World Production and Trade Statistics (FDAP 2-78)
- U.S. Dairy Trade Increase in 1977 (FD-78)
- World Sugar Output in 1977/78 5 Percent Above Consumption (FSI-78)
- World Cotton Exports in March Highest in 4 Years (FC 9-78)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918-S. Tel. (202) 447-7937. □

Three U.S. Grain Study Teams Visit USSR Grain Areas

A U.S. spring wheat team is visiting (July 17-August 6) major spring wheat producing areas in the Soviet Union's Urals, western Siberia, and Kazakhstan, and a grain sorghum/corn-for-silage team is scheduled to make an assessment trip during July 25-August 16.

In early July, adequate moisture to maintain good growing conditions fell over much of the spring wheat fields of western Siberia and northern Kazakhstan.

A winter grain team spent June 13-July 5 visiting winter grain production areas in the Ukraine, and the North Caucasus, Volga, and central Chernozoem regions of the Russian Soviet Federated Socialist Republic.

The visits of the three teams were scheduled under terms of the U.S.-USSR Agreement on Agricultural Cooperation.

This is the fifth consecutive year for U.S. winter wheat and spring wheat teams to visit the USSR to study the conditions and outlook for currently growing grain crops. The agreement provides for three members on each team. □